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Spain

Agricultural Situation

Drought Update

2006

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Report Highlights: Spain is now officially in a second year of drought, following what turned out to be the driest hydrographic year since 1880. Spain's current hydrographic year (Oct/Sep) 2005/2006 has not started off much better, prompting the Government of Spain (GOS) to begin preparing/taking measures to restrict and/or improve the efficiency of water use. Spanish agriculture production uses approximately 80 percent of all national freshwater resources, so many of the drought mitigation preparations will necessarily be concerned with the agricultural water use.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Madrid [SP1]
[SP]

While the spring rainy season in Spain (March-May) may pleasantly surprise, it is unlikely that sufficient rain will fall so as to replenish ground water reserves, reservoirs, and snow pack. As of January 2006, Spanish water reserves were about 20 percent below January 2005 levels and dropping fast with very little rainfall since November 2005. To clarify, drought conditions are much more prevalent in the southern regions of Spain where very arid-to-desert conditions normally prevail.

The GOS does not plan to depend solely on the rainy season. The ministry of agriculture (MOA) just announced that the GOS will invest three billion Euros (proposed but not yet approved) in irrigation projects over the next two years with the intent to put in place infrastructure projects that will make the most efficient use of water on agricultural land. The planned investment will be approximately 120 million Euros per month on projects beginning in the Mediterranean Arc and extending into the Spain's interior to the north. MOA will review proposals submitted by the Autonomous Regional Governments and move swiftly to accept or offer needed changes.

One of the most potentially powerful water-conservation idea has been incorporated into a December 2005 Royal Decree (Decree) that encourages the development of a Spain-wide water rights trading market. Under this Decree, Spain's hydrographic confederations have gained flexibility to trade water rights. It appears that Madrid area corn farmers (very limited acreage) have been the first to do the economic analysis associated with the new flexibility and have decided to sell their water rights to farmers in the south of Spain. Certainly, this new ability to extract economic rent from water rights will, especially if the drought continues, cause farmers producing low-value irrigated crops such as corn to sell their water rights and take their chances with non-irrigated crops or retire their farmland from crop production.

Many more farmers, like those in the corn growing regions of the Madrid region, have planting decisions to take before they know the results of the rainy season. As a result of last year's emerging drought, Spanish corn farmers reduced their corn plantings for the first time in many years. Again this year, we expect that they will react to the continuing drought conditions and even further reduce plantings, which will certainly lead to increased demand for imported corn and reduced demand for biotechnology corn seed.

Some water-use restrictions currently apply and more may be imposed. For example, farmers cannot open a new tract of land that would require irrigation. Residential homeowners in Madrid cannot fill their swim pools nor water their yards. Golf courses in the area cannot water their greens. If the rainy season does not produce good results, GOS officials indicate that they may apply more severe restrictions as early as June 2006.

Spain's cereal crop producers are in better shape than the farmers dependent on water reserves in that the very limited moisture that has fallen, has come at opportune times. The rain in the fall of 2005 facilitated fall wheat planting. Winter thus far has been cold and with the limited precipitation the fall-planted cereals crops appear to be in good condition. However, as spring arrives rain will be needed, because there is not sufficient ground moisture to carry the crops to harvest. Timely rains, if not in quantity, will be needed to assure a good cereals crop.

To view our previous reporting of the drought, please refer to SP5004, SP5013, and SP5024.